



Difference Capital Financial Internalizes Management Structure and Appoints Henry Kneis as CEO

TORONTO, June 2, 2015 – Difference Capital Financial Inc. (“**DCF**” or the “**Corporation**”) (TSX: DCF) (TSX: DCF.DB) is pleased to announce that it has entered into agreements to acquire Difference Capital Inc. (“**DCI**”) and terminate its management agreement (the “**Management Agreement**”) with Difference Capital Management Inc. (“**DCM**”), and that it has appointed Henry Kneis as Chief Executive Officer.

DCF will acquire DCI (the “**Internalization Acquisition**”) for an aggregate purchase price of \$2,428,570. The Internalization Acquisition is expected to close on June 23, 2015, with economic effect as of June 1, 2015. Pursuant to the provisions of the termination agreement among DCF, DCI and DCM, concurrent with the closing of the Internalization Acquisition, the Management Agreement will be terminated without penalty. Following the Internalization Acquisition, it is anticipated that DCI will be wound down.

Henry Kneis, formerly CFO and COO, will immediately assume the role of Chief Executive Officer of DCF. Victor Duong, Vice President Finance of DCI, assumes the role of Chief Financial Officer of DCF. Michael Wekerle, formerly CEO and Executive Chairman of DCF, will now serve as Chairman of the Corporation. John Albright will continue to serve as lead independent director.

The terms of the Internalization Acquisition were negotiated and recommended for approval by a special committee of the board of directors of DCF (the “**Board**”) consisting of all of the independent directors (the “**Special Committee**”). The Special Committee received a fairness opinion in support of the Internalization Acquisition from one of the top four global accounting and consulting firms that is independent of the Corporation’s auditor and also received independent legal advice. The Internalization Acquisition has been approved by the Toronto Stock Exchange.

Upon the completion of the Internalization Acquisition, all DCI and DCM employees will be employed directly by DCF. DCF will enter into employment agreements with all key management personnel. The Board will provide management of DCF with a budget for base compensation equivalent to approximately 2% of current assets under management, and establish a bonus pool equivalent to 20% of the increase in investable assets over a hurdle rate of 3.0% per annum, with a perpetual high water mark beginning with the December 31, 2014 net asset value of DCF. Individual bonus pool allocations will be subject to Board approval.

Rationale and Benefits of the Internalization Acquisition

- The Special Committee made the decision to internalize management to provide investors with improved transparency into the operations of the Corporation while enhancing the alignment of interests by having all activities within a single entity.

- Terminating the Management Agreement provides the Board with enhanced oversight over the operations, strategic direction, investment process, and the retention and compensation of key members of management.
- The Internalization Acquisition frees DCF from substantial penalties (equivalent to two (2) years of management and performance fees) it would otherwise pay should it have wished to unilaterally terminate the Management Agreement in the future.
- Management compensation will now be subject to a higher effective hurdle rate of 3.0% vs. the current rate equal to the yield on 2-year Government of Canada bonds and a perpetual high water mark vs. an annual reset of the high water mark.
- DCF will no longer be subject to paying HST on services rendered by the manager, resulting in a forecast savings of approximately \$350,000 per annum based on current investable assets. Future HST savings could be significantly higher in years of positive performance.

“The internalization of management through the acquisition of DCI and termination without penalty of the Management Agreement continues a process that we began in the summer of 2014 to simplify the organization, streamline the portfolio, and consolidate the professional staff,” says John Albright, lead independent director. “Given the refinement of our strategy over time, the decision to become an internally managed company is a natural progression and one designed to drive long-term shareholder value. Our senior leadership team, led by Henry Kneis, Tom Astle, and Tom Liston, has made significant progress reorienting our portfolio toward quality pre-IPO names. The internalization will allow DCF to operate with better board support and oversight.”

Regulatory Matters

Both Michael Wekerle and Henry Kneis, members of the Board, and respectively the Chairman and Chief Executive Officer, and the Chief Financial Officer and Chief Operating Officer immediately prior to the Internalization Acquisition, had an interest in the Internalization Acquisition. As such, the Internalization Acquisition constitutes a “related party transaction” within the meaning on Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

In respect of the Internalization Acquisition, DCF is relying upon the exemptions from the formal valuation and minority shareholder approval requirements pursuant to sections 5.5(a) and 5.7(1)(a), respectively, of MI 61-101 on the basis that the fair market value of the Internalization Acquisition did not exceed 25% of DCF’s market capitalization, as calculated in accordance with MI 61-101. The decision to proceed with the Internalization Acquisition and the terms for doing so were determined by the Special Committee, comprised of all of the independent directors of the Board (and therefore excluding Michael Wekerle and Henry Kneis).

In connection with this press release, a Material Change Report has been filed in accordance with applicable securities laws. A copy of the Material Change Report will be available for review under DCF’s profile on SEDAR at www.sedar.com.

About Difference Capital Financial Inc.

Difference Capital Financial Inc. invests in and advises growth companies. We leverage our capital market expertise to help unlock the value in technology, media and healthcare companies as they approach important milestones in their business lifecycle. Difference Capital Financial Inc.'s common shares and convertible debentures are traded on the Toronto Stock Exchange under the symbols "DCF" and "DCF.DB", respectively.

Forward-looking Statements

Certain statements contained in this press release may be deemed "forward-looking statements". All statements in this release, other than those of historical fact, that address events or developments that DCF expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "scheduled", and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur, including, without limitation, the intended acquisition of DCI, the termination of the Management Agreement, the internalization of the management of DCF and the anticipated benefits therefrom. Although DCF believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market conditions and other factors relevant to the strategic decisions of DCF and any joint actors. Investors and others who base themselves on the forward-looking statements contained herein should carefully consider the uncertainties they represent and the risk they entail. DCF believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release. DCF undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

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